

Review of Retroactive Spouse Application Processing
Report No. 99-10, May 26, 1999

Background

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal government. The RRB administers the health and welfare provisions of the Railroad Retirement Act (RRA) providing retirement benefits for eligible railroad employees, their spouses, widows and other survivors.

Prior to the death of an employee annuitant, most aged widows receive benefits as retired spouses. Entitlement to spouse benefits ends with the death of the employee annuitant. A former spouse annuitant does not need to file a new application in order to receive benefits as a widow. The agency can begin the conversion of the spouse benefit to a widow's benefit upon notification of the employee's death using information already available in the automated systems.

In certain situations, a widow who has not previously been awarded benefits as a retired spouse may be eligible for retroactive payment of those benefits. In such cases, the widow files two applications: one for retired spouse benefits due but unpaid at the time of the employee annuitant's death, and a second application for the recurring widow benefits. To be eligible, the widow applicant must meet the requirements for a spouse annuity. These requirements vary with the date of the application and the circumstances of the employee annuitant's retirement. In all cases, the railroad employee must have retired prior to the date of death. An overview of eligibility requirements is presented in Appendix I to this report.

The Bureau of Quality Assurance (BQA) conducts annual studies of initial payment and case accuracy. BQA's study of fiscal year (FY) 1996 included review of 236 widow annuities. Two widow cases tested as part of that study included retroactively filed applications for spouse benefits that had never been processed to payment or denial. The OIG included a review of retroactive spouse applications in its audit workplan based on these previously identified errors.

The RRB's strategic plan states that "we will optimize accuracy in providing benefits" as the agency's first strategic objective in meeting its overall goal of providing excellent customer service. Application control is a fundamental part of the agency's mission responsibility and speaks directly to the stated objective.

Objective, Scope and Methodology

The objectives of this review were:

-- to assess the frequency with which the agency may not have processed applications for

retroactive spouse benefits; and

-- to assess the effectiveness of field office efforts to identify and take applications from eligible individuals.

In order to achieve our objectives, we:

-- reviewed the applicable laws and regulations;

-- reviewed a random sample of 2,300 widow annuitants and a judgment sample of 1,078 more recently adjudicated widow cases;

-- assessed internal controls as applicable; and

-- interviewed Office of Programs management and staff concerning applicable procedures.

A detailed summary of the sampling methodology and results is presented in Appendix III to this report.

The work was performed in accordance with generally accepted government auditing standards as applicable to the audit objectives. Fieldwork was conducted at RRB headquarters during October 1998 through March 1999.

Findings and Recommendations

Our review determined that internal controls are not adequate to ensure that applications for retroactive spouse benefits are fully processed to payment or denial. We estimate that there are approximately 427 unprocessed applications for retroactive spouse benefits in beneficiary claim folders.

In addition, the agency may not take retroactive spouse applications from all eligible widows. We estimate that approximately 1,603 individuals may have been impacted.

Retroactive Spouse Application Not Processed

Our review determined that the non-processing of retroactive spouse applications occurs very infrequently. Although the Office of Programs has strengthened internal control over such applications, the present controls are still not adequate to ensure 100% processing.

We reviewed the claim folders of a random sample of 2,300 widow annuitants and identified 4 applications for retroactive spouse benefits that were never processed. Based on the results of the sample review, we estimate that there are approximately 427 unprocessed applications for retroactive spouse benefits in agency files. Regardless of frequency, the non-processing of applications should always be regarded

as a serious problem because it is fundamental to the agency's mission. Applications for retroactive spouse benefits should be controlled beginning in the field office to ensure that no future unprocessed applications go undetected.

Prior to August 1997, applications for retroactive spouse benefits were processed only after payment of the widow benefit. These spouse applications were not controlled or tracked by any automated or manual system to ensure that processing was completed. As a result, the application for retroactive spouse benefits could be overlooked in the file and never processed. A detailed discussion of the related agency procedures is presented in Appendix II to this report.

In August 1997, the Office of Programs implemented new procedures to identify and control retroactive spouse applications. The new procedures represent a significant improvement over past practices. However, the application must still be identified by the Survivor Benefits Division and forwarded to the Retirement Benefits division before its receipt is recorded and its progress through the processing system monitored. Internal control over these applications could be further strengthened if they were tracked from the time they are taken in the field office.

We reviewed 1,078 more recently adjudicated widow cases and identified no unprocessed applications. This supports the conclusion that the non-processing of an application is a very infrequent occurrence. However, the relatively small number of post-August 1997 applications among the cases reviewed precludes an audit conclusion that controls are adequate to prevent such an infrequently occurring error.

In addition to non-payment of the retroactive spouse benefit, failure to process and pay spouse benefits can impact adjudication of the subsequent widow's benefit. The spouse minimum guaranty provision of the RRA provides that the total widow benefit rate cannot be less than the rate actually paid to an annuitant as a spouse beneficiary during the month prior to the death of the employee. If the spouse benefit is never paid, this special provision cannot apply.

The spouse minimum guarantee would have applied in one of the four non-processed applications identified during the audit. The delayed adjudication of that retroactive spouse application resulted in a nominal increase to the recurring monthly widow benefit.

The small number of errors identified is insufficient for financial projection. Monetary impact is determined by the number of months for which payment was not made which can vary between 0 and 12 months. It is possible for an applicant to be found ineligible and paid no benefits. In addition, the amount of any benefit payable is impacted by factors unrelated to the retroactivity of the application such as reductions for Social Security Benefits, public service pensions and continued employment. As a result, the individual value of a retroactively filed application for a spouse benefit may be a few dollars or several thousand dollars.

Recommendations

We recommend that the Office of Programs:

- process the applications identified by the audit (Recommendation #1);
- identify and process other applications for retroactive spouse benefits that were filed but never processed to payment (Recommendation #2); and
- implement control of applications for retroactive spouse benefits from the time the application is taken in a field office (Recommendation #3).

Management's Response

The Office of Programs has already processed the applications identified by the audit and taken payment action as appropriate.

Office of Program's management disagrees with our recommendations for the identification of additional unprocessed applications and the implementation of additional internal controls. They believe that identification of unprocessed applications would not be an effective use of their limited resources. Similarly, they believe that the cost of implementing any additional controls at the present time would exceed the benefit.

The Office of Programs expects to eliminate the problem of controlling retroactive spouse applications when they automate the initial survivor application process. However, no target date for that system has been established.

Spouse Applications Not Taken from Eligible Widows

The field office may not have taken applications for retroactive spouse benefits from all eligible widows. Based on our claim folder review, we estimate that there are approximately 1,603 eligible widows from whom no application was taken.

Our sample review identified 15 such widows among the 2,300 randomly selected cases and an additional five among the 1,078 more recently adjudicated cases.

The field service provides assistance and information to applicants, claimants, and others in filing, developing and adjudicating applications and claims and in the general conduct of the RRB's programs. The circumstances that lead to the filing of an application for retroactive spouse benefits are relatively infrequent and may easily be overlooked.

As described in our previous discussion of application non-processing, a widow cannot benefit from the spouse minimum guaranty provision of the RRA unless an application for spouse benefits is taken by the field service and fully adjudicated.

We do not have sufficient data to estimate the potential beneficiary impact of non-payment of retroactive spouse benefits. For reasons previously discussed, the amount of benefits payable can vary significantly depending on the individual circumstances.

Recommendations

We recommend that the Office of Programs:

- implement an internal control to ensure that all eligible widow applicants are offered an application for retroactive spouse benefits (Recommendation #4);
- solicit and process applications for the cases questioned by the audit (Recommendation #5); and
- identify other cases in which widows were eligible for retroactive spouse benefits when no application was filed for the purpose of soliciting and processing applications (Recommendation #6).

Management's Response

The Office of Programs does not find the evidence sufficient to indicate a need for additional internal controls. They have noted that some or all of the widow applicants cited by the audit may have declined to file an application for retroactive spouse benefits or may have been ineligible for some reason that is not readily apparent. The Office of Programs feels that their present efforts to identify eligible spouses are extensive.

The Office of Programs also disagrees with our recommendations for solicitation of applications. They believe that the types of cases identified by the audit do not indicate that a basis exists for overriding current regulations limiting the retroactivity of applications except when an individual has actually been deterred from filing.

Although they disagree with the audit recommendations, they plan to issue a training reminder to the field service informing them of the findings of this audit. Field service personnel will be advised to look for similar situations and to ensure that a retroactive spouse application is offered when appropriate.

The Office of Programs expects to automate identification of retroactive spouse eligibility when they automate the initial survivor application process. However, no target date for that system has been established.

Appendix I

Retroactively Filed Applications For Spouse Benefits Eligibility

The Railroad Retirement Act (RRA), as amended, provides for the retroactive filing of applications for spouse benefits by a widow (er) if he or she was eligible for a spouse annuity in the month before the month the employee annuitant died.

For a spouse to be eligible for retirement benefits, both the employee and spouse must meet certain age and service requirements established by the RRA. These are the same requirements that would have applied if the application for spouse benefits had been filed during the employee annuitant's lifetime.

The RRA has been amended several times and the regulations that pertain to an individual applicant vary. Since this audit was a retrospective review, the applicable laws and regulations varied from case to case.

In every case, the employee must have retired under the provisions of the RRA during the period for which spouse benefits are claimed. In addition, the RRA establishes other requirements for age, years of railroad service, spousal cohabitation and spouse employment depending upon:

- the date of the application for spouse benefits;
- the employee's annuity beginning date;
- the spouse's annuity beginning date;
- the dates of the employee annuitant's railroad service.

The RRA of 1937 required that eligible spouses be at least 62 years of age during the period for which benefits were claimed. The RRA of 1974 and subsequent amendments provided for a more liberal standard in determining minimum retirement age when the employee had 30 years or more of railroad service. In such cases, the spouse's minimum retirement age was set at 60.

When the railroad employee has fewer than 30 years of service, no benefits are typically payable before age 62, and the amount of benefits is reduced for those retiring before age 65.

Appendix II

Retroactively Filed Applications for Spouse Benefits Agency Procedures

After the death of the employee, the widow files for benefits at an RRB field office. Field office personnel determine the widow's eligibility for retroactive spouse benefits and take an application accordingly. If the widow meets the eligibility requirements, the field office will have the widow complete an application for spouse benefits (AA-3) along with the widow application (AA-17).

Field office personnel attach both applications and any supporting documentation to the "Checklist for Survivor Applications" (Form G-659a). The completed package is sent to

the Office of Programs' Survivor Benefits Division at RRB headquarters for adjudication of the widow application.

The Office of Programs gives priority to the processing of applications for recurring benefit payments. The widow benefit is immediately payable and will recur monthly. The retroactive spouse benefit is a non-recurring benefit, applicable to a very limited prior period. As a result, the application for widow benefits is given priority over the concurrently filed application for retroactive spouse benefits.

Procedure Prior to August 1997

Prior to August 1997, retroactive spouse applications were held in the claim folder until widow application processing was complete. At that time, the claim folder was supposed to be forwarded to a different unit for processing of the retroactive spouse application. This procedure made it possible for the retroactive spouse application to be buried under other documents in the claim folder and remain there undetected. The buried application would never receive the appropriate adjudicative action unless inadvertently discovered at a later date.

Current Procedure

Under current procedure, the Survivor Benefits Division separates the widow and retroactive spouse applications. The Survivor Benefits Division begins processing the widow application and forwards the retroactive spouse application to the Retirement Initial Section for simultaneous processing.

The retroactive spouse application is then coded into the Key Operating Report (KOR) system and tracked until it is paid or denied. The case is also entered into the System Tracking and Reporting (STAR) program used to track the folderless processing.

When the retroactive spouse application has been fully adjudicated, the application and supporting documentation are forwarded to the claim folder for filing.

The Office of Programs does not follow-up if a retroactive spouse application does not accompany an application for widow benefits. It is the responsibility of field office personnel to make a determination regarding other entitlement and eligibility and advise the widow accordingly.

Appendix III

Sample Methodology and Results Review for Unprocessed Applications

We reviewed a randomly selected sample of claim folders drawn from the population of all widow (er)s (regardless of payment status) present on the check writing master file

(CHICO) as of August 27, 1998. In addition, we reviewed 100% of the cases in the limited population of widow(er)s with dates of birth in 1936. This second sample was designed to test recent (1996 or later) initial survivor adjudication.

I. Random Sample of All Cases in the Population

Sampling Unit:	One Payment
Population:	Widow annuitants on the CHICO File as of 8/27/98
Population Size:	245,755
Sample Size:	2,300
Confidence Level:	95%
Errors Identified:	4
Error Rate (midpoint):	.2%
Estimated Number of Errors in the Population under study	427
Error Range	0 to 5%
Estimated Range of Occurrence	0 to 1,229

II. All Cases With Annuitant Date of Birth in 1936

Sampling Unit:	One Payment
Population:	Widow annuitants with Prefix "A" born in 1936 present on the CHICO File as of 8/27/98
Population Size:	1,078
Sample Size:	1,078
Confidence Level:	100%
Precision	N/A
Errors Identified:	0
Error Rate (midpoint):	0%
Estimated Number of Errors in the Population under study	0

Sample Methodology and Results

Review for Eligible Widows Without an Application in File

I. Random Sample of All Cases in the Population

We reviewed a randomly selected sample of claim folders drawn from the population of all widow (er)s (regardless of payment status) present on the check writing master file (CHICO) as of August 27, 1998. In addition, we reviewed 100% of the cases in the limited population of widow(er)s with dates of birth in 1936. This second sample was designed to

test recent (1996 or later) initial survivor adjudication.

Sampling Unit:	One Payment
Population:	Widow annuitants on the CHICO File as of 8/27/98
Population Size:	245,755
Sample Size:	2,300
Confidence Level:	95%
Errors Identified:	15
Error Rate (midpoint):	.7%
Estimated Number of Errors in the Population under study	1,603
Error Range	.4% to 1.1%
Estimated Range of Occurrence	983 to 2,703

II. All Cases With Annuitant Date of Birth in 1936

Sampling Unit:	One Payment
Population:	Widow annuitants with Prefix "A" on the CHICO File as of 8/27/98
Population Size:	1,078
Sample Size:	1,078
Confidence Level:	100%
Precision	N/A
Errors Identified:	5
Error Rate (midpoint):	N/A
Estimated Number of Errors in the Population under study	N/A